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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
BUSINESS UPDATE

RELEASE OF THE SCHOOL SPONSOR'S INTEREST TRANSFER
AGREEMENT OF SHOUGUANG BOHAI EXPERIMENTAL SCHOOL

Reference is made to the announcements dated 12 March 2018, 13 April 2018, 2 May 2018 and 19 June 2020 (collectively, the “**Announcements**”) issued by Minsheng Education Group Company Limited (民生教育集团有限公司) (the “**Company**”). Unless otherwise stated, terms defined in the Announcements shall have the same meanings when used in this announcement.

To enable the Shareholders and potential investors of the Company to better understand the release of the Interest Transfer Agreement, the Company would like to provide additional information in the aspects of (i) further information on the Interest Transfer Agreement; (ii) financial impact to the Company in relation to the Release Agreement; and (iii) other information.

I. FURTHER INFORMATION ON THE INTEREST TRANSFER AGREEMENT

As disclosed in the Announcements, the total consideration of RMB151.73 million under the Interest Transfer Agreement was payable by three installments. The 1st Installment has been settled upon completion of the relevant conditions precedent. The two remaining installments, i.e. the second installment (the “**2nd Installment**”) and the third installment (the “**3rd Installment**”), shall be payable after completion of the Interest Transfer Agreement, which took place on 2 May 2018, upon satisfaction of certain additional conditions precedent. The major conditions precedent to the payment of the 2nd Installment and the 3rd Installment are as follows:

The 2nd Installment

The 2nd Installment of RMB80 million shall be paid within ten (10) business days upon the satisfaction of the following conditions, among others:

- (1) the land use right and property rights certificate of all lands and properties as agreed in the Interest Transfer Agreement having been legally registered in the name of Bohai Experimental School and delivered to Shiji Kuangao, free from any mortgage, pledge, seizure, entrustment or any other form of rights restriction;
- (2) the Original School's Sponsors having delivered to Bohai Experimental School all assets, including but not limited to the education instruments, equipment and tools, vehicles, facilities, equipment and library resources, used by Bohai Experimental School;
- (3) the official seal, financial seal, contract seal, invoice seal, account opening permission certificate, organization information certificate, bank account information, U-key and all the password key related to the bank account and the School Permit and the Certificate of Non-Enterprise Unit of Bohai Experimental School and other items or documents as reasonably requested by Shiji Kuangao having delivered to the operational management team as assigned by the board of directors of Bohai Experimental School;
- (4) the transfer of the school sponsor's interests of Bohai Experimental School and the relevant assets (which includes but not limited to, the entire campus of East Zone of Bohai Experimental School and all lands, properties and facilities and equipment) as contemplated under the Interest Transfer Agreement having been transacted at the Equity Exchange and all transfer and registration procedures under the name of Shiji Kuangao or Bohai Experimental School having been completed;
- (5) all taxes and fees incurred in handing the above conditions shall be borne by the Original School's Sponsors;
- (6) Bohai Experimental School having been released from all the liabilities under the external guarantees provided by Bohai Experimental School;
- (7) any legacy issues in relation to the ancillary properties of Bohai Experimental School having been resolved by the Original School's Sponsors and Bohai Experimental School;
and
- (8) all the parties to the Shouguang Municipal People's Government and University of Chinese Academy of Sciences Basic Education Institute, Shiji Kuangao (Beijing) Investment Management Co., Ltd. Education Cooperation Framework Agreement* (壽光市人民政府和中國科學院大學基礎教育研究院、世紀寬高(北京)投資管理有限公司教

育合作框架協議書) dated 7 March 2017 having confirmed in writing that any provision in such agreement that conflicted with the Interest Transfer Agreement should no longer be enforced.

The 3rd Installment

The 3rd Installment of RMB11.73 million shall be paid one year after the payment of the 2nd Installment by Shiji Kuangao, provided that there are no material legacy issues in Bohai Experimental School.

As at the date of the Release Agreement, it was mainly condition precedent (1) to the 2nd Installment that has not been fulfilled. As the 2nd Installment has not been settled, the condition precedent to the 3rd Installment was also not satisfied as at the date of the Release Agreement.

Equity Transfer Agreement

As disclosed in the Announcements, the Interest Transfer Agreement was a prerequisite for the execution and completion of the Equity Transfer Agreement. Such arrangement was intended to ensure that when the Group acquired Shiji Kuangao from its previous owner, Bohai Experimental School would have become a subsidiary of Shiji Kuangao, which otherwise did not have any material asset. Pursuant to the Interest Transfer Agreement, upon satisfaction of the conditions precedent to the 1st Installment, Bohai Experimental School had become a subsidiary of Shiji Kuangao, and consequently the parties to the Equity Transfer Agreement consummated the transfer of the equity interest in Shiji Kuangao from its original owners to the Group, which took place on 2 May 2018.

The Directors confirmed that the obligations of the respective parties under the Equity Transfer Agreement have been fully performed upon its completion. As such, although the Interest Transfer Agreement was terminated on 18 June 2020, such termination had no impact on the Equity Interest Agreement or any transactions conducted pursuant to it.

II. FINANCIAL IMPACT TO THE COMPANY IN RELATION TO THE RELEASE AGREEMENT

As disclosed in the Announcements, Shiji Kuangao will no longer manage Bohai Experimental School since the date of signing of the Release Agreement, that is, the Company will no longer control Bohai Experimental School. The financial impact to the Company are as follows:

- (1) since the date of the Release Agreement, i.e. the date of disposal (the “**Disposal Date**”), the Company deconsolidated Bohai Experimental School’s assets and liabilities in the Company’s consolidated statement of financial position;
- (2) since the Disposal Date, the income, expenses and profit and loss of Bohai Experimental School are no longer recognized by the Company in its consolidated income statement;

- (3) the income, expenses and profit and loss of Bohai Experimental School generated or incurred (as the case may be) from 1 January 2020, i.e. the beginning of the current financial period of the Group, to the Disposal Date are included in the consolidated income statement of the Group; and
- (4) the gain or loss regarding the disposal of Bohai Experimental School will be recognized in the Company's consolidated income statement.

The financial effect of the disposal of Bohai Experimental School on the Group are as follows:

(i) the Company's assets has decreased by approximately RMB110,785,000, representing a reduction of RMB174 million (being the sum of the original total assets of Bohai Experimental School of RMB171 million as at 31 December 2019 and the increase in assets of Bohai Experimental School of RMB3 million since 31 December 2019 and up to the date of the Release Agreement) in the total assets of the Group partially offset by the return of the 1st Installment and the Relevant Interests amounted to a total of approximately RMB63 million; (ii) the Company's liabilities has decreased by approximately RMB117,878,000; and (iii) the Company is expected to record a gain on disposal of approximately RMB7,093,000 for the year ending 31 December 2020.

Since the completion of the Interest Transfer Agreement on 2 May 2018 up to the date of the Release Agreement, the assets of Bohai Experimental School increased by approximately RMB12,685,000 and the liabilities of Bohai Experimental School increased by approximately RMB16,588,000.

The following table sets forth the net profit or net loss of Bohai Experimental School for each of the relevant periods since the completion of the Interest Transfer Agreement on 2 May 2018:

	For the eight months ended 31 December 2018 (unaudited) (RMB'000)	For the year ended 31 December 2019 (unaudited) (RMB'000)	For the five months ended 31 May 2020 (unaudited) (RMB'000)
Net profit/(loss)	(4,612)	(2,864)	3,573

III. OTHER INFORMATION

As disclosed in the Announcements, in order to comply with the PRC laws and regulations while availing the Company in maintaining effective control over the operations of Bohai Experimental School, the Company has entered into various agreements with Jierui and its shareholders constitute the contractual arrangements (the **"Jierui Contractual Arrangements"**). As long as the registration of the change of school sponsor of Bohai Experimental School from Shiji Kuangao to Hongjing Town Development is not completed, the Group will need to

maintain the Jierui Contractual Arrangements in order to comply with PRC laws. Such registration will be primarily be arranged by Hongjing Town Development and Shouguang No. 1 Middle School with the cooperation of Shiji Kuangao. As at the date of this announcement, the Company has not been informed by Hongjing Town Development and Shouguang No. 1 Middle School when such registration will be carried out or completed. In the event that the said registration of change of school sponsor of Bohai Experimental School is completed and that Shiji Kuangao does not own any business that is subject to foreign ownership restrictions in the PRC, the Group intends to exercise the Exclusive Call Option Agreement I to acquire the 100% equity interest in Shiji Kuangao and terminate the contracts in the Jierui Contractual Arrangements related to Shiji Kuangao, namely, the Equity Pledge Agreement I, Exclusive Call Option Agreement I, Shareholders' Rights Entrustment Agreement I and the Power of Attorney I. The Jierui Contractual Arrangements were entered into by the Group to control Laoling Senior High School, in addition to Bohai Experimental School. As there is no change in the Group's control and operation of Laoling Senior High School, agreements under the Jierui Contractual Arrangements related to Laoling Senior High School will remain in force after the termination of the above agreements under the Jierue Contractual Arrangements related to Shiji Kuangao.

The transfer of the school sponsor interest from Shiji Kuangao to Hongjing Town Development constitutes a "transaction" under Chapter 14 of the Listing Rules. As all the applicable percentage ratio under Rule 14.07 of the Listing Rules in respect of such transaction are all below 5%, and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Hongjing Town Development and Shouguang No. 1 Middle School and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons, such transaction does not constitute a notifiable transaction or a connected transaction under Chapter 14 or 14A of the Listing Rules, respectively.

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

Hong Kong, 15 July 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*