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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** **FRAMEWORK AGREEMENT IN RELATION TO** **THE COOPERATION OF OPERATING A COLLEGE** **IN ZHANGJIAKOU CITY**

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

#### **OVERVIEW**

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce that on 9 July 2018, the Company entered into a framework agreement (the “**Framework Agreement**”) with the Zhangjiakou Municipal People’s Government (張家口市人民政府) (the “**Zhangjiakou Government**”) and Hebei University of Technology (河北工業大學) (the “**Hebei University of Technology**”) (collectively, the “**Parties**”) in relation to the proposed cooperation (the “**Proposed Cooperation**”) regarding the operation of Hebei University of Technology City College (河北工業大學城市學院) (the “**City College**”). Pursuant to the Framework Agreement, with the support of Zhangjiakou Government, Hebei University of Technology and the Company will co-operate City College in Zhangjiakou City of Hebei Province. By taking advantage of the strengths of each of the Parties, the Parties strive to make the City College the best private undergraduate college in Hebei Province and the application-oriented training base for talents in Hebei Province before the 2022 Winter Olympic Games, with around 10,000 undergraduate and junior college students in total.

The Framework Agreement only sets out the initial intention and principal terms of the Proposed Cooperation, and serves only as the basis for further specific cooperation between Parties. The specific matters in respect of the Proposed Cooperation of Parties are subject to the definitive cooperation agreement to be entered into by Parties.

#### **THE FRAMEWORK AGREEMENT**

The principal terms of the Framework Agreement are summarised as follows:

## Cooperation Process

According to the Framework Agreement, the cooperation process is as follows:

- (1) the change of school sponsor of City College, and registration matters related to the change of the legal representative;
- (2) the change of the address to the economic zone of Zhangjiakou City; and
- (3) the achievement of being converted to an independently organized private undergraduate higher education institution (the “**Conversion**”).

## Cooperation Mode

According to the Framework Agreement, the cooperation mode is as follows:

- (1) subject to relevant laws and policies, the Company would pay a total of RMB200 million in two instalments to a general bank account of Hebei University of Technology which will be jointly managed by the Company and Hebei University of Technology. After the completion of the change of registration matters related to the change of the school sponsor and the legal representative, the RMB200 million in the co-managed account will be transferred to Hebei University of Technology as school development fund, and will obtain the school sponsor’s interest in City College at the same time, including the sponsor’s interest in such independently organized private undergraduate higher education institution which may be converted from City College when conditions are met;
- (2) the land use rights of the land where City College originally operates and other tangible assets (physical objects) belong to Hebei University of Technology;
- (3) starting from the school year 2019, 17% of tuition fees received from undergraduate students, 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; and
- (4) other than the transfer of RMB200 million as school development fund, resource usage fees calculated as 17% of tuition fees received from undergraduate students, 5% of tuition fees received from junior college students recruited by City College each year starting from 2019 until the year of City College’s successful Conversion, Hebei University of Technology will not be entitled to any other economic interest in City College, which means that the City College and the Company will not be required to pay any other amounts to Hebei University of Technology.

## **School location and the setup of the new campus**

City College proposed to set up a new campus in Zhangjiakou City, covering an area of around 900 mu (亩), enjoying certain special preferential policies. The Zhangjiakou Government listed the new campus construction project of the City College as a key construction project in 2018. After the change of City College's sponsor, the Company will be responsible for the construction of the new campus. Subject to the successful implementation of the Proposed Cooperation, the first phase construction of the new campus is currently expected to complete in 2019, and City College plans to use the new campus by the new enrollment students starting from September 2019.

## **The setup of the faculty**

Zhangjiakou Government is supportive of City College's plan to setup a high level, stable faculty. Zhangjiakou Government will determine the setup of the teaching staff of City College according to the relevant standard for universities stipulated by the Ministry of Education, whereby 60% of the teaching staff which will be under the staffing of Zhangjiakou Government, and covered by the local government's budget. The faculty and staff introduced by the City College who meet the standards of Zhangjiakou City's Implementation Opinions on Accelerating the Development of Talents and Innovations will also be entitled to the relevant preferential policies.

## **Transitional Period and Management**

During the period between the change of City College's sponsor and the successful Conversion of City College (the "**Transitional Period**"), the existing students of the City College who are studying in Tianjin and Langfang campus are entrusted to Hebei University of Technology until graduation. After the Company becomes the school sponsor of the City College, the City College will be responsible for the education and management of students to be enrolled in the school year 2019 and beyond.

## **Recruitment and management**

After the change of its school sponsor, the City College will be responsible the education and management for students to be enrolled since the school year 2019. Hebei University of Technology assists in striving for the undergraduate enrollment quota and expanding the scale of the college. Hebei University of Technology will provide support and guidance for teaching management and teacher training in the City College after the change of the school sponsor.

## **Synergistic Development**

Leveraging on the advantages and direction of Zhangjiakou's industrial economic development, the Zhangjiakou Government and Hebei University of Technology and City College will jointly set up an industrial research institute based on City College. The Zhangjiakou Government will provide financial support for research and development and transformation of results in areas such as

renewable energy, smart city, smart equipment, and ecological conservation, and actively apply together for national special funds for the Winter Olympics project. City College has given strong support to the existing university faculty and in-service personnel training in Zhangjiakou City.

The Directors are of the view that the terms of the Framework Agreement are fair and reasonable and are in the interest of the Company and its shareholders as a whole.

## **INFORMATION ON CITY COLLEGE AND HEBEI UNIVERSITY OF TECHNOLOGY**

### **City College**

City College is a full-time independent college offering undergraduate studies and mainly operates in Tianjin City (天津市) of the People's Republic of China (the "PRC") (originally registered in Langfang City, Hebei Province). City College has a student enrolment of approximately 9,700 for the 2017/2018 school year.

### **Hebei University of Technology**

Hebei University of Technology is a key university as well as one of the national universities under "Project 211" focusing on engineering discipline with multi-disciplinary development. It is also a university co-founded by People's Government of Hebei Province, People's Government of Tianjin City and China Ministry of Education. Hebei University of Technology is located in Tianjin, and also has campuses in Langfang City of Hebei Province. Since 2016, Hebei University of Technology has been qualified for entering the first-level universities in Hebei Province for the construction of nation-class the best university, and since 2017, Hebei University of Technology has been qualified for entering China universities world-class the best discipline. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, Hebei University of Technology and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

## **BENEFITS OF OPERATING A SCHOOL IN ZHANGJIAKOU CITY**

The Company is of the view that after the completion of the City College's new campus in Zhangjiakou City, it will become the only private university in Zhangjiakou City, and will enjoy several development bonuses, 60% of the City College's teachers being included in the local government's staffing system, and salary and social insurance being paid by the Zhangjiakou Government. Moreover, 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.

## GENERAL INFORMATION

Shareholders and potential investors of the Company should note that the Framework Agreement only contains the initial intention and principal terms of the Proposed Cooperation, and serves only as the basis for further specific cooperation between Parties, and the specific matters in respect of the Proposed Cooperation of Parties are subject to the definitive cooperation agreement to be entered into by Parties. Further announcement in respect of the Proposed Cooperation contemplated under the Framework Agreement will be made by the Company as and when appropriate in accordance with the Listing Rules (if applicable). Shareholders and potential investors of the Company should note that the transactions contemplated under the Framework Agreement may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 9 July 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.*