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CHINA CHUNLAI EDUCATION GROUP CO., LTD.

中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1969)

MAJOR TRANSACTION

ENTERING INTO FORMAL AGREEMENT IN RELATION TO THE CONVERSION OF TIANPING COLLEGE OF SUZHOU UNIVERSITY OF SCIENCE AND TECHNOLOGY

THE ACQUISITION

The board is pleased to announce that on 19 August 2019 (after trading hours), the School Sponsor entered into the Change of Sponsor Agreement with Suzhou University of Science and Technology and the Foundation and on 20 August 2019 (before trading hours), the School Sponsor entered into the Supplemental Agreement with Suzhou University of Science and Technology (collectively, the “**Formal Agreement**”), pursuant to which the School Sponsor agreed to be the new school sponsor of Tianping College and to cooperate with Suzhou University of Science and Technology to jointly operate Tianping College during the Preparatory Period for Conversion for a total consideration of RMB800,111,100 (equivalent to approximately HK\$909,217,159). Pursuant to the Formal Agreement, the School Sponsor shall have the right and obligation to convert Tianping College into a standalone private ordinary college. The change of school sponsor of Tianping College and the conversion of Tianping College into a standalone private ordinary college is subject to the approval of and registration by the relevant authorities in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but all applicable percentage ratios are less than 100%, the Acquisition will constitute a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders’ approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and the transaction contemplated under the Formal Agreement. As such, no Shareholder is required to abstain from voting on the resolution(s) if a general meeting is convened to approve the Acquisition and the transaction contemplated under the Formal Agreement. Pursuant to Rule 14.44 of the Listing Rules, in lieu of resolution(s) to be passed at a general meeting of the Company, a written approval has been obtained from Chunlai Investment on approving the Acquisition and the entering into the Formal Agreement. Chunlai Investment controls 900,000,000 Shares, representing approximately 75.00% of the issued share capital of the Company as at the date of this announcement. As a result, no general meeting will be convened to consider the Acquisition and the transaction contemplated under the Formal Agreement.

DESPATCH OF CIRCULAR

A circular containing, among other things, further details relating to the Acquisition, the Formal Agreement and the transaction contemplated thereunder, and the financial information of Tianping College, was expected to be despatched within 15 business days after publication of the Tender Confirmation Announcement (as defined below) pursuant to Rule 14.41(a) of the Listing Rules. However, as additional time is required to prepare, finalise and complete the information to be contained in the circular, including the financial information of the Company, the Board expects the date of despatch of the circular will be postponed to a date falling on or before 25 October 2019.

The Company had therefore applied for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange and to postpone the despatch date of the circular to a date falling on or before 25 October 2019, and the Stock Exchange has granted such waiver.

INTRODUCTION

Reference is made to the announcement of the Company dated 23 July 2019 (the “**Tender Confirmation Announcement**”).

On 19 August 2019 (after trading hours), the School Sponsor entered into the Change of Sponsor Agreement with Suzhou University of Science and Technology and the Foundation and on 20 August 2019 (before trading hours), the School Sponsor entered into the Supplemental Agreement with Suzhou University of Science and Technology (collectively, the “**Formal Agreement**”), pursuant to which the School Sponsor agreed to be the new school sponsor of Tianping College and to cooperate with Suzhou University of Science and Technology to jointly operate Tianping College during the Preparatory Period for Conversion for a total consideration of RMB800,111,100 (equivalent to HK\$909,217,159). Pursuant to the Formal Agreement, the School Sponsor shall have the right and obligation to convert Tianping College into a standalone private ordinary college. The change of school sponsor of Tianping College and the conversion of Tianping College into a standalone private ordinary college is subject to the approval of and registration by the relevant authorities in the PRC.

THE FORMAL AGREEMENT

Date of the Change of Sponsor Agreement

19 August 2019

Parties to the Change of Sponsor Agreement

- (i) Suzhou University of Science and Technology
- (ii) The Foundation
- (iii) The School Sponsor

Date of the Supplemental Agreement

20 August 2019

Parties to the Supplemental Agreement

- (i) Suzhou University of Science and Technology
- (ii) The School Sponsor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Suzhou University of Science and Technology and the Foundation and their respective ultimate beneficial owner is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Subject Matter

Pursuant to the Formal Agreement, the School Sponsor has agreed to be the new school sponsor of Tianping College and to cooperate with Suzhou University of Science and Technology to jointly operate Tianping College during the Preparatory Period for Conversion. Pursuant to the Formal Agreement, the School Sponsor shall have the right and obligation to convert Tianping College into a standalone private ordinary college. Upon receiving the approval from the relevant PRC authorities to change the name of Tianping College as a standalone private ordinary college such that its name will not include "Suzhou University of Science and Technology" or related entity names, Tianping College will be owned and operated solely by the School Sponsor.

Consideration and Payment Terms

The Consideration for the Acquisition is RMB800,111,100 (equivalent to approximately HK\$909,217,159), which is payable by the School Sponsor to Suzhou University of Science and Technology (for itself and on behalf of the Foundation) in the following manner:

- (i) a sum of RMB400,055,550 (equivalent to approximately HK\$454,608,580), representing 50% of the Consideration, has been paid by the School Sponsor on 24 July 2019;

- (ii) a sum of RMB240,033,330 (equivalent to approximately HK\$272,765,148), representing 30% of the Consideration, shall be payable by the School Sponsor within 360 days of the date of the Change of Sponsor Agreement; and
- (iii) the remaining balance of RMB160,022,220 (equivalent to approximately HK\$181,843,432), representing 20% of the Consideration, shall be payable by the School Sponsor within 720 days of the date of the Change of Sponsor Agreement.

In addition to the Consideration, the School Sponsor shall pay by way of capital injection RMB30,000,000 (equivalent to approximately HK\$34,090,909) into Tianping College within 10 business days of the date of the Change of Sponsor Agreement. Consequently, Suzhou University of Science and Technology and the Foundation will withdraw their capital amount paid into Tianping College.

The Consideration was determined in a tender process and after taking into account, among others, (i) the experience accumulated by Tianping College in school management and operation; (ii) the reputation and education quality of Tianping College; (iii) the number of students of and the tuition and boarding fees charged by Tianping College; and (iv) the value expected to be generated by the Group through operating Tianping College. The Acquisition will be financed partly by proceeds from the global offering of the Company conducted in September 2018 and allocated for acquisitions, loans obtained from external financial institution and internal resources of the Group.

The Directors are of the view that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Facility Usage Fee

During the Preparatory Period for Conversion, if Tianping College uses the campus of Suzhou University of Science and Technology, the School Sponsor shall pay to Suzhou University of Science and Technology 30% of the total tuition and boarding fees per annum for each grade of students using the campus of Suzhou University of Science and Technology, being the fee for using the facilities of Suzhou University of Science and Technology, including but not limited to classrooms, laboratories, library, office buildings, internet services and school facilities. Such facility usage fee shall be paid by the School Sponsor to Suzhou University of Science and Technology before 30 September of each school year until Tianping College no longer uses the campus of Suzhou University of Science and Technology.

Arrangement during the Preparatory Period for Conversion

Expenses and risk in relation to the joint operation

During the Preparatory Period for Conversion, the School Sponsor shall be responsible for all the expenses and risk in relation to the joint operation of Tianping College. The School Sponsor shall also be responsible for, among others, establishing a new campus for operating Tianping College, setting up teaching facilities, building management team, and shall no longer include in its name “Suzhou University of Science and Technology” or other university names registered by Suzhou University of Science and Technology by the end of the Preparatory Period for Conversion.

Board composition of Tianping College

The board of directors of Tianping College shall be the decision-making body, responsible for amending the articles of Tianping College, formulating development plan, recruitment plan, budgeting and human resources, etc.. During the Preparatory Period for Conversion, the board of directors of Tianping College shall be jointly formed by Suzhou University of Science and Technology and the School Sponsor. The chairman and majority of the board of directors of Tianping College shall be appointed by the School Sponsor. The dean of Tianping College shall be recommended by Suzhou University of Science and Technology to the board of directors of Tianping College.

Assets and liabilities of Tianping College

All assets held by Tianping College (including the existing campus of Tianping College) and all liabilities incurred arising from and in relation to the operation of Tianping College prior to the date of the Change of Sponsor Agreement shall continue to vest with and shall be dealt with by the Suzhou University of Science and Technology and the Foundation and shall not form part of the Acquisition.

Employment of existing staff

During the Preparatory Period for Conversion, Tianping College shall continue to employ all the employees (other than those who have reached the retirement age or decided not to take up such employment) with whom Tianping College has entered into employment contracts as at the date of the Change of Sponsor Agreement on same or more favourable terms.

Deposit

During the Preparatory Period for Conversion and the Transition Period, the School Sponsor will provide deposit and bank guarantee of total amount RMB200,000,000 (approximately HK\$227,272,726) to protect its interests and reputation, ensure normal operations of campus operations and facilities, prevent illegal or arbitrary fees that would affect students' rights and interests, and to prevent mismanagement leading to major accidents. Upon expiry of the Transition Period, the deposit will be returned to the School Sponsor within 10 business days and the bank guarantee will be terminated.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group considers that this opportunity is in line with its acquisition strategy. Tianping College is a well-known undergraduate college located in Jiangsu province, China. Its excellent location and professionalism can form a strong synergy with the Group's existing schools. The Group also believes that this opportunity is consistent with its business strategy of acquiring or investing in undergraduate colleges to expand its school network and to capture market opportunities, which will further strengthen the Group's market position as a leading provider of private higher education in China.

FINANCIAL INFORMATION OF TIANPING COLLEGE

Financial information of Tianping College for the three years ended 31 December 2018 is still being prepared and audited by the auditor of the Company as of the date of this announcement. Such financial information will be presented using International Financial Reporting Standards which are the same as that applied by the Company, and will be disclosed in the circular of the Company to be despatched on or before 25 October 2019.

INFORMATION OF THE PARTIES

Suzhou University of Science and Technology

Suzhou University of Science and Technology is a state-operated university in Jiangsu province, the PRC, providing full-time undergraduate programmes and post-graduate programmes.

The Foundation

The Foundation was officially registered on 2007 with the Provincial Department of Education and the Civil Affairs Department. It is a non-public fundraising foundation. Its business scope is to accept government funding and social donations, support financially disadvantaged students, reward outstanding teachers and students and support construction of schools.

Tianping College

Tianping College began accepting students in September 2000 and became an independent college in 2005. It is an independent college jointly sponsored, organized and funded by Suzhou University of Science and Technology and the Foundation to teach full-time undergraduate students. As at 31 December 2018, Tianping College had approximately 8,002 students. During the 2018-2019 school year, the annual tuition fee of Tianping College ranged from RMB14,000 to RMB16,500, while the annual boarding fees of Tianping College ranged from RMB1,000 to RMB1,500 per student.

GENERAL INFORMATION

The School Sponsor is a private non-enterprise entity (民辦非企業單位) established in the PRC on 18 October 2004 and a consolidated affiliated entity of the Company. The School Sponsor is the sole school sponsor of Shangqiu University (商丘學院), including Shangqiu University Applied Science and Technology College (商丘學院應用科技學院), and Anyang University (安陽學院).

The Group is a leading provider of private higher education in China. Since the Group's inception in 2004, it has grown to operate three colleges in Henan Province, and participate in the operation of one college in Hubei Province.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition is more than 25% but all applicable percentage ratios are less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and the transaction contemplated under the Formal Agreement. As such, no Shareholder is required to abstain from voting on the resolution(s) if a general meeting is convened to approve the Acquisition and the transaction contemplated under the Formal Agreement. Pursuant to Rule 14.44 of the Listing Rules, in lieu of resolution(s) to be passed at a general meeting of the Company, a written approval has been obtained from Chunlai Investment on approving the Acquisition and the entering into the Formal Agreement. Chunlai Investment controls 900,000,000 Shares, representing approximately 75.00% of the issued share capital of the Company as at the date of this announcement. As a result, no general meeting will be convened to consider the Acquisition and the transaction contemplated under the Formal Agreement.

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The Company had therefore applied for a waiver from strict compliance with Rule 14.41(a) of the Listing Rules from the Stock Exchange and to postpone the despatch date of the circular to a date falling on or before 25 October 2019, and the Stock Exchange has granted such waiver.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

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| “Acquisition” | the acquisition of the school sponsor interest of Tianping College in addition to the right and obligation to convert Tianping College into a standalone private ordinary college owned and operated solely by the School Sponsor under the Formal Agreement |
| “Board” | the board of Directors of the Company |
| “Change of Sponsor Agreement” | the agreement entered into on 19 August 2019 between the School Sponsor, Suzhou University of Science and Technology and the Foundation in relation to the Acquisition |
| “Chunlai Investment” | Chunlai Investment Co., Ltd (春來投資有限公司), a company incorporated in the British Virgin Islands and a Controlling Shareholder of the Company |
| “Company” | China Chunlai Education Group Co., Ltd. (中國春來教育集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 15 November 2017 |
| “Consideration” | the total consideration of the Acquisition, being RMB800,111,100 (equivalent to approximately HK\$909,217,159) which shall be paid by the School Sponsor in instalments |
| “Controlling Shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “Formal Agreement” | the Change of Sponsor Agreement entered into on 19 August 2019 and as supplemented and amended by the Supplemental Agreement date 20 August 2019 |

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| “Foundation” | Suzhou University of Science and Technology Education Development Foundation* (蘇州科技大學教育發展基金會) |
| “Group” | the Company, its subsidiaries and its consolidated affiliated entities |
| “HK\$” | Hong Kong dollar, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended and supplemented from time to time) |
| “PRC” or “China” | People’s Republic of China |
| “PRC Holdco” | Henan Chunlai Education Technology Co., Ltd.* (河南春來教育科技有限公司), a limited liability company established in the PRC on 1 August 2017 and one of our consolidated affiliated entities |
| “Preparatory Period for Conversion” | the period from the date of the Change of Sponsor Agreement to 1 September 2023, and such period shall be extended to a date when the required regulatory approval in the PRC for changing the school sponsor and related conversion is obtained if such approval could not be obtained before 1 September 2023 due to force majeure events |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “School Sponsor” | Henan Shangqiu Chunlai Education Corporation* (河南商丘春來教育集團), a private non-enterprise entity (民辦非企業單位) established in the PRC on 18 October 2004 and a consolidated affiliated entity of the Company |
| “Shares” | ordinary share(s) in the Company |
| “Shareholders” | holder(s) of the Share(s) |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supplemental Agreement” | the supplemental agreement entered into on 20 August 2019 (before trading hours) between the School Sponsor and Suzhou University of Science and Technology to amend certain terms of the Change of Sponsor Agreement |

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| “Suzhou University of Science and Technology” | Suzhou University of Science and Technology* (蘇州科技大學) |
| “Tianping College” | Tianping College of Suzhou University of Science and Technology* (蘇州科技大學天平學院), an independent college of Suzhou University of Science and Technology whose school sponsor’s interest is jointly owned by Suzhou University of Science and Technology and the Foundation as at the date of this announcement |
| “Transition Period” | From the grant of approval from the relevant PRC authorities to change the name of Tianping College as a standalone private ordinary college such that its name will not include “Suzhou University of Science and Technology” or related entity names to when all students who were admitted under the name “Suzhou University of Science and Technology” have graduated from or otherwise completed their studies at Tianping College |

* *The English translation of company names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into Hong Kong dollars at the rate of HK\$1.00 = RMB0.88. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

By Order of the Board of Directors
China Chunlai Education Group Co., Ltd.
Hou Junyu
Executive Director

Hong Kong, 20 August 2019

As at the date of this announcement, the Board comprises Mr. Hou Junyu as executive Director and chief executive officer, Ms. Jiang Shuqin as executive Director, Mr. Hou Chunlai as non-executive Director and chairman, and Dr. Jin Xiaobin, Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man as independent non-executive Directors.