

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA YUHUA EDUCATION CORPORATION LIMITED

中国宇华教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6169)

MAJOR TRANSACTION

ACQUISITION OF JINAN SHUANGSHENG EDUCATION CONSULTING CO., LTD.*

THE TRANSACTION

The Board is pleased to announce that on 19 July 2019, the Transferee (being a subsidiary of the Company), the Transferors, the Target Company and the Target University entered into the Agreement, pursuant to which the Transferors have conditionally agreed to transfer an aggregate 90% equity interest in the Target Company, which holds the entire sponsorship interest in the Target University, to the Transferee.

LISTING RULES IMPLICATIONS

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

Pursuant to the Listing Rules, Shareholders' approval is required for a major transaction. As no Shareholders have a material interest in the Transaction, no Shareholders would be required to abstain from voting if the Company was to convene a general meeting for approving the Transaction. The Company will not be required to convene a general meeting for approving the Transaction for being a major transaction because the Company has obtained the written shareholder's approval from GuangYu Investment in lieu of convening a general meeting as permitted by Rule 14.44 of the Listing Rules. GuangYu Investment controls 2,137,500,000 Shares, representing approximately 65.07% of the issued share capital of the Company as at the date of this announcement.

DESPATCH OF CIRCULAR

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details relating to the Agreement and the Transaction, the Target Company's valuation report, the unaudited financial information of the Target Company, the financial information of the Group and the pro-forma statement of assets and liabilities of the Group shall be dispatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before 12 August 2019. As additional time is likely to be required for the Company to prepare and finalise certain information for inclusion in the circular, the Company expects to apply to the Stock Exchange for an extension of the time to dispatch the circular pursuant to Rule 14.41(a) of the Listing Rules.

THE TRANSACTION

The Board is pleased to announce that on 19 July 2019, the Transferee (being a subsidiary of the Company), the Transferors, the Target Company and the Target University entered into the Agreement, pursuant to which the Transferors have conditionally agreed to transfer an aggregate 90% equity interest in the Target Company, which holds the entire sponsorship interest in the Target University, to the Transferee.

THE AGREEMENT

The principal terms of the Agreement are summarised below:

Date

19 July 2019

Parties

- (a) The Transferee;
- (b) The Transferors;
- (c) The Target Company; and
- (d) The Target University

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Transferors, the Target Company and the Target University are Independent Third Parties.

Subject

Subject to and in accordance with the terms and conditions of the Agreement, the Transferors have agreed to transfer an aggregate 90% equity interest in the Target Company, which holds the entire sponsorship interest in the Target University, to the Transferee.

Consideration

The total consideration for the Transaction is RMB1,491,552,000 (the “**Purchase Price**”), payable by the Transferee to the Transferors in four installments in the following manner:

- (a) RMB149,155,200, being 10% of the Purchase Price (the “**First Installment**”), payable within five working days after the date of signing the Agreement;
- (b) RMB894,931,200, being 60% of the Purchase Price (the “**Second Installment**”), payable within (A) five working days after the date on which the condition below has been fulfilled (which has already been fulfilled as of the date on which the Agreement took effect), or (B) fifteen working days after the date of signing the Agreement, whichever is later:
 - (i) the transfer of equity interest in the Target Company having been registered with the relevant industrial and commercial authority;
- (c) RMB372,888,000, being 25% of the Purchase Price (the “**Third Installment**”), payable within (A) five working days after the date on which the condition below has been fulfilled or waived in writing by the Transferee, or (B) thirty working days after the date of signing the Agreement, whichever is later:
 - (i) the originals of the relevant licenses and corporate seals (including the company seal and the accounts seal) and the relevant bank accounts information of the Target Company and its subordinate units having been delivered to personnel appointed by the Transferee; and
- (d) RMB74,577,600, being 5% of the Purchase Price (the “**Fourth Installment**”), payable within five working days after the expiration of six months from the date on which the Agreement takes effect.

Basis of consideration

The consideration was arrived at after arm’s length negotiations between the Transferee and the Transferors with reference to and taking into account the track record, geographical location, ranking, number of students, course offerings and tuition fee levels of the Target University, in which the Target Company holds the entire sponsorship interest.

Taking into consideration of the above factors, the Directors are of the view that the consideration of the Transaction is fair and reasonable.

Completion

The Agreement took effect on 19 July 2019.

Completion shall take place when the condition precedent to the payment of the Second Installment (see sub-paragraph (b) under the heading “Consideration” above) is fulfilled or waived by the Transferee.

Governance of the Target Company and its subordinate units

In relation to the Target Company:

- (a) the Transferee shall have the right to nominate the supervisors, general managers and financial controllers of the Target Company; and
- (b) for as long as the Transferors or their related parties still hold an equity interest in the Target Company, the Target Company shall have a board of directors consisting of three directors, of which the Transferors shall have the right to nominate one director and the Transferee shall have the right to nominate two directors.

In relation to the Target University: for as long as the Transferors or their related parties still hold equity interest in the Target Company, the board shall consist of one Transferor (or a person nominated by the Transferors) and four directors nominated by the Transferee; and when the Transferors or their related parties no longer hold any equity interest in the Target Company, all directors of the board shall be nominated by the Transferee.

Guarantee by the Company

As required by the Agreement, each of Mr. Li Guangyu, Ms. Li Hua and the Company, who ultimately control the Transferee, will issue a letter of guarantee in a form agreeable to the Transferors to secure all of the Transferee’s obligations under the Agreement and any related transaction documents.

Termination

If the conditions for the payment of the Second Installment are not fulfilled within six months after the date of signing the Agreement due to reasons caused by either party to the Agreement (the “**Defaulting Party**”), the other party has the right to unilaterally terminate the Agreement, by issuing a written notice to the Defaulting Party, and the Agreement shall terminate on the date of the written notice. However, if the failure to fulfill the relevant conditions precedent in time is due to the failure of either party to perform any of its obligations under the Agreement, that party is not entitled to terminate the Agreement. For the purposes of the foregoing provision, the Transferors, the Target Company and the Target University will be considered the same party.

INFORMATION ON THE PARTIES

The Transferee is a company established under the laws of the PRC with limited liability and a subsidiary of the Company. The Company is a private school operator in central China that provides education from kindergarten to university and also operates an international university in Thailand.

The Transferors are two private individuals who together own the entire equity interest in the Target Company, and are directors of the Target University.

The Target Company is a company established under the laws of the PRC with limited liability. The Target Company holds the entire sponsorship interest in the Target University.

The Target University is a private higher education institution located in Jinan, Shandong, China. According to the information provided by the Target University, the Target University was founded in 1998 and is a leading private higher education institution in Shandong, China. It has been ranked within the top three private universities in China for the past seven consecutive years, according to the China Private University Rankings (中國民辦大學排行榜). The grounds of the Target University span 189 acres (approximately 766.7 thousand square meters). The Target University currently has approximately 31,500 students, among which approximately 21,000 students are enrolled in undergraduate (本科) programs, 10,000 students in junior college (專科) programs and 500 students in vocational-technical programs. The average tuition fee of the Target University is RMB15,000 per student per year.

FINANCIAL INFORMATION OF THE TARGET COMPANY

Based on information provided by the Target Company, the following is a summary of the consolidated financial information of the Target Company for the two financial years ended 31 August 2017 and 2018 and the nine months ended 31 May 2019. The financial information of the Target Company was prepared in accordance with the PRC GAAP.

	For the year ended 31 August 2017	For the year ended 31 August 2018	For the nine months ended 31 May 2019
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Revenue	451.57	459.43	379.81
Gross profit	278.81	276.43	230.32
Net profit before tax	70.80	91.01	69.43
Net profit after tax	70.80	91.01	69.43

As at 31 August 2017, 31 August 2018 and 31 May 2019, the net assets of the Target Company (unaudited) amounted to approximately RMB309.19 million, RMB408.69 million and RMB441.00 million, respectively. As at 31 May 2019, the total assets of the Target Company amounted to approximately RMB1,321.85 million.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Target University is the largest private university in Shandong province and has an excellent reputation in the higher education industry. The Transferors and the Transferee are committed to together further improving the quality, management and sustainable development of the Target University. The Company believes that consolidating the Target University will significantly expand and diversify the Company's education offerings and geographical reach, and that it would be able to leverage the leading position of the Target University in Shandong province to enhance its competitive edge against other private education providers in the north China region, thereby offering a greater potential for profit and long-term business sustainability.

Based on the above, the Directors consider that the terms of the Agreement are on normal commercial terms and the Transaction is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

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

Pursuant to the Listing Rules, Shareholders' approval is required for a major transaction. As no Shareholders have a material interest in the Transaction, no Shareholders would be required to abstain from voting if the Company was to convene a general meeting for approving the Transaction. The Company will not be required to convene a general meeting for approving the Transaction for being a major transaction because the Company has obtained the written shareholder's approval from GuangYu Investment in lieu of convening a general meeting as permitted by Rule 14.44 of the Listing Rules. GuangYu Investment controls 2,137,500,000 Shares, representing approximately 65.07% of the issued share capital of the Company as at the date of this announcement.

DESPATCH OF CIRCULAR

Pursuant to Rule 14.41(a) of the Listing Rules, a circular containing, among other things, further details relating to the Agreement and the Transaction, the Target Company's valuation report, the unaudited financial information of the Target Company, the financial information of the Group and the pro-forma statement of assets and liabilities of the Group shall be dispatched to the Shareholders within 15 business days after the publication of this announcement, i.e. on or before 12 August 2019. As additional time is likely to be required for the Company to prepare and finalise certain information for inclusion in the circular, the Company expects to apply to the Stock Exchange for an extension of the time to dispatch the circular pursuant to Rule 14.41(a) of the Listing Rules.

DEFINITIONS

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

“Agreement”	the agreement dated 19 July 2019 entered into by the Transferee, the Transferors, the Target Company and the Target University in respect of the Transaction
“Board”	the board of director(s) of the Company from time to time
“business day”	any day on which the Stock Exchange is open for the business of dealing in securities
“BVI”	the British Virgin Islands
“China” or “PRC”	the People’s Republic of China and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Company”	China YuHua Education Corporation Limited (中国宇华教育集团有限公司), an exempted company with limited liability incorporated in the Cayman Islands
“Completion”	completion of the Transaction pursuant to the Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“GuangYu Investment”	GuangYu Investment Holdings Limited, a company incorporated in the BVI with limited liability and a Controlling Shareholder of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

“Mr. Li Guangyu”	Li Guangyu (李光宇), a Director and a Controlling Shareholder of the Company
“Ms. Li Hua”	Li Hua (李花), a Director and a Controlling Shareholder of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) in the Company
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	Jinan Shuangsheng Education Consulting Co., Ltd.* (濟南雙勝教育諮詢有限公司), a company established under the laws of the PRC with limited liability
“Target University”	Shandong Yingcai University (山東英才學院), a private higher education institution in China
“Transaction”	the acquisition of an aggregate of 90% equity interest in the Target Company by the Transferee pursuant to the terms and conditions of the Agreement
“Transferee”	Zhengzhou Hanchen Education Technology Co., Ltd.* (鄭州漢晨教育科技有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of the Company
“Transferors”	Mr. Xia and Ms. Yang, who are shareholders of the Target Company, directors of the Target University, and are Independent Third Parties
“%”	per cent

* For identification purposes only.

By order of the Board
China YuHua Education Corporation Limited
Li Guangyu
Chairman and Executive Director

Hong Kong, 22 July 2019

As at the date of this announcement, the Board comprises Mr. Li Guangyu, Ms. Li Hua and Ms. Qiu Hongjun as executive Directors; and Mr. Zhang Zhixue, Mr. Chen Lei and Mr. Xia Zuoquan as independent non-executive Directors.