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Chen Lin Education Group Holdings Limited

辰林教育集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1593)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE TARGET COMPANY

THE ACQUISITION

The Board is pleased to announce that, on 23 December 2020 (after trading hours), the Purchaser (a company accounted as a subsidiary of the Company by virtue of the Contractual Arrangements) the Vendor, the Target Company and the Target School, entered into the Acquisition Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest of the Target Company, at a consideration of RMB188,000,000.

Upon completion of the Acquisition, the Purchaser will own the entire equity interest of the Target Company and will control the entire school sponsor's interest of the Target School. The Target Company and the Target School will be accounted as subsidiaries of the Company by virtue of the Contractual Arrangements.

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 exceeds 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 23 December 2020 (after trading hours), the Purchaser (a company accounted as a subsidiary of the Company by virtue of the Contractual Arrangements) the Vendor, the Target Company and the Target School, entered into the Acquisition Agreement, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest of the Target Company, at a consideration of RMB188,000,000.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below.

Date: 23 December 2020

Parties: (1) the Purchaser;
(2) the Vendor;
(3) the Target Company; and
(4) the Target School.

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, as of the date of this announcement, the Vendor, the Target Company and the Target School are third parties independent from the Company and its connected persons (as defined in the Listing Rules).

Nature of the transaction and assets to be acquired by the Purchaser

Pursuant to the Acquisition Agreement, the Vendor has agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest of Target Company. Upon completion of the Acquisition, (i) the Purchaser will own the entire equity interest of the Target Company; (ii) the Purchaser will control the entire school sponsor's interest of the Target School; and (iii) the Target Company and the Target School will be accounted as subsidiaries of the Company by virtue of the Contractual Arrangements.

Consideration

The consideration of the Acquisition amounted to RMB188,000,000. Such consideration shall be fully settled within 15 business days upon the completion of the Acquisition.

Basis of Consideration

The consideration of the Acquisition was determined after arm's length negotiations between the Vendor and the Purchaser with reference to: (i) the historical turnover and assets, the location and branding, the programs offered, the employment opportunities and the prospect of the graduates, the number of students and enrollments of the Target School; and (ii) the valuation report (the "**Valuation Report**") prepared by an independent professional valuer (the "**Independent Valuer**") on the Target School; and (iii) other reasons and benefits of the Acquisition as stated under the section headed "Reasons for and Benefits of the Acquisition" below.

Valuation Report

In preparation of the Valuation Report, after considering the characteristics of the Target School and comparing different valuation methodologies, the Independent Valuer adopted the market approach for the valuation. The market approach considers prices paid for similar assets, with adjustments made to market prices to reflect condition and utility of the

appraised assets relative to the market comparative. According to Valuation Report, the preliminary valuation amount of the Target School is approximately RMB190 million. The Board considers that the Valuation Report provides a general reference in assessing the fairness and reasonableness of the fair value of the Target School.

Source of funding

The consideration of the Acquisition will be funded by the Group's proceeds from the Global Offering and bank borrowings.

Conditions Precedent

The completion of the Acquisition is upon the satisfaction (or, as the case may be, waived by the Purchaser) of the following conditions (the "**Conditions Precedent**"):

- (1) the Target Company remaining as the school sponsor of the Target School as of the completion of the Acquisition;
- (2) the Purchaser being satisfied with the results of the due diligence review of the Target School;
- (3) there being no action, proceedings, suit or public investigation of any agencies, jurisdictions which restricts, stops, prohibits, invalidates or otherwise prevents or seeks to prevent the completion of the Acquisition; and
- (4) the Vendor's representations and warranties under the Acquisition Agreement remaining true and accurate in all respects and not misleading in any respect as of the completion of the Acquisition.

Completion

As all of the Conditions Precedents have been satisfied as of the date of the Acquisition Agreement, the Acquisition is completed on the same date.

INFORMATION ON THE VENDOR

Mr. Xu Haifeng (徐海峰) is a natural person of Chinese nationality holding the entire equity interest of the Target Company and therefore indirectly controlling the entire school sponsor's interest of the Target School. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the date of this announcement, Mr. Xu Haifeng is a third party independent from the Company and its connected persons (as defined in the Listing Rules).

INFORMATION ABOUT THE TARGET COMPANY AND THE TARGET SCHOOL

(a) The Target Company

The Target Company is a limited liability company established under the laws of PRC and wholly-owned by the Vendor. The Target Company is a holding company that owns the entire school sponsor's interest of the Target School as of the date of this announcement.

(b) The Target School

The Target School is a full-time vocational college established in November 2019 that specializes in training junior, senior and preparatory technicians. As of the date of this announcement, the Target School offers 13 education programs including computer advertising production, indoor and outdoor design, early childhood education, automobile maintenance, mold design, e-commerce and new media, computer network applications, computer application and maintenance, computer information management, welding processing, beauty salons, machine cutting processing and nursing. The Target School has approximately 5,400 students as of the date of this announcement.

The following table sets out the summary of the audited combined financial information of the Target School for the period from 1 November 2019 to 31 July 2020 prepared in accordance with the Generally Accepted Accounting Principles of the PRC:

	Period from 1 November 2019 to 31 July 2020 (RMB'000)	
Revenue		30,704
Gross profit		15,172
(Loss)/profit before income tax		15,172
	As of 1 November 2019 (RMB'000)	As of 31 July 2020 (RMB'000)
Total assets	8,227	9,834
Total liabilities	<u>30,981</u>	<u>17,416</u>
Net liabilities	<u>(22,754)</u>	<u>(7,582)</u>

Upon the completion of the Acquisition, (i) the Purchaser will own the entire equity interest of the Target Company; (ii) the Purchaser will control the entire school sponsor's interest in the Target School; and (iii) the Target Company and the Target School will be accounted as subsidiaries of the Company by virtue of the Contractual Arrangements.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target School specializes in providing vocational education services in Jiangxi Province, PRC. The Acquisition will further expand our school network and coverage, increase the total number of students of the Group, improve profitability, and will also form strong synergy with our School and the Target School.

Given the abovementioned reasons, and after considered the terms and conditions of the Acquisition Agreement, our Directors are of the view that the terms of the Acquisition are on normal commercial terms, fair and reasonable. The Acquisition will expand the Group's influence in the region and enhance its reputation, which is in line with the Group's business strategy and in the interests of the Company and the Shareholders as a whole.

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 exceeds 5% but all are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INFORMATION OF THE GROUP

The Group is one of the leading providers of private higher education in Jiangxi province, PRC, with years of experience in the private higher education industry. The Group currently operates one private university located in Nanchang, Jiangxi Province, namely the Jiangxi University of Applied Science (江西應用科技學院), and offers undergraduate and junior college programmes, as well as diverse education related services including internship management services as well as tutoring and programme management services to enterprises and education institutions.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition”	the acquisition of the entire equity interest in the Target Company under the Acquisition Agreement;
“Acquisition Agreement”	the acquisition agreement dated 23 December 2020 between the Purchaser and the vendor in relation to the Acquisition;
“Board”	the board of directors of the Company;
“Company”	Chen Lin Education Group Holdings Limited (辰林教育集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 25 May 2018, the share of which are listed on the Main Board of the Stock Exchange (stock code: 1593);
“Contractual Arrangements”	certain contractual arrangements entered by the Group on 15 September 2018;
“Director(s)”	the directors of the Company;
“Group”	the Company, subsidiaries and companies accounted as subsidiaries by virtue of the Contractual Arrangements;

“Global Offering”	the global offering of initially up to 250,000,000 shares with a nominal value of HK\$0.0001 each in the capital of the Company, including a public offering in Hong Kong of 31,798,000 shares and an international offering of initially 218,202,000 shares to professional, institutional and other investors outside the United States;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“PRC”	the People’s Republic of China;
“Purchaser”	Nanchang Di Guan Education Consultancy Co., Ltd. (南昌迪冠教育諮詢有限公司), a company established under the laws of the PRC with limited liability on 17 September 2009 and accounted as a subsidiary of the Company by virtue of the Contractual Arrangements;
“RMB”	Renminbi, the lawful currency of the PRC;
“School”	Jiangxi University of Applied Science (江西應用科技學院) a private institution operated by the Group which offers both undergraduate and junior college programs;
“Shareholder(s)”	holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Nanchang Ruicheng Education Consultancy Co., Ltd. (南昌市瑞誠教育諮詢有限公司), a company established under the laws of the PRC with limited liability and owns the entire school sponsor’s rights of the Target School as of the date of this announcement;
“Target School”	Jiangxi Wenli Jishi College (江西文理技師學院), a full-time vocational college locates in Jiangxi Province, PRC, specialize in training junior, senior and preparatory technicians;
“Vendor”	Mr. Xu Haifeng (徐海峰), a PRC resident;
“%”	Per cent.

By order of the Board
Chen Lin Education Group Holdings Limited
Huang Yulin
Chairman

Hong Kong, 23 December 2020

As of the date of this announcement, the executive Directors are Mr. Huang Yulin, Mr. Zheng Junhui, Mr. Li Cunyi, Mr. Bau Siu Fung, Mr. Wang Li and Ms. Gan Tian; and the independent non-executive Directors are Mr. Chan Hon Ki, Mr. Chen Wanlong, Mr. Huang Juyun and Mr. Wang Donglin.