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Modern Education Group Limited

現代教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1082

**DISCLOSEABLE TRANSACTION:
ACQUISITION OF THE ENTIRE ISSUED CAPITAL OF,
AND SHAREHOLDER'S LOAN TO, THE TARGET**

On 14 May 2013 (after trading hours), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendor conditionally agreed to sell (i) the Sale Share, representing the entire issued share capital of the Target; and (ii) the Sale Debts, represent the entire shareholder's loan owing by the Target to the Vendor, at the Consideration of HK\$35 million.

The Acquisition contemplated under the Agreement constitutes a discloseable transaction for the Company under the Listing Rules and therefore is subject to notification and announcement requirements of Chapter 14 of the Listing Rules.

The Board wishes to announce that on 14 May 2013 (after trading hours), the Purchaser and the Vendor entered into the Agreement in respect of the Acquisition.

The principal terms of the Agreement are set out below:

THE AGREEMENT

Date

14 May 2013

Parties

Purchaser : Rosy Lane Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company.

Vendor : Million Worldwide Investment Limited, a company incorporated in the BVI with limited liability, the principal business of which is investment holding. The Vendor is a subsidiary of Town Health International Investments Limited, a company the shares of which are listed on the Main Board of the Stock Exchange.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Vendor and its ultimate beneficial owners is a third party independent of the Company and connected persons of the Company.

Assets to be acquired

The Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase: (i) the Sale Share free from all encumbrances together with all rights now or thereafter attaching thereto, including all dividends or distributions which may be paid, declared or made in respect thereof at any time on or after the Completion Date; and (ii) the Sale Debts, at the Consideration of HK\$35 million.

The Sale Share represents 100% of the issued share capital of the Target and is owned by the Vendor. The Sale Debts represent the entire shareholder's loan owing by the Target to the Vendor and as at the date of the Agreement, such sum amounts to approximately HK\$28.1 million.

Consideration

The Consideration for the Sale Share and the Sale Debts shall be paid by the Purchaser to the Vendor in the following manner:

- (1) as to HK\$24,500,000 (“**Deposit**”) upon signing of the Agreement as refundable deposit;
and
- (2) as to the remaining balance of HK\$10,500,000 upon Completion.

The Consideration shall be paid by transfer of clear and immediately available funds by the Purchaser to a bank account designated by the Vendor (or in such any other manner as agreed between the Vendor and the Purchaser) without any deduction or withholding.

The Consideration will be funded by the internal resources of the Group.

The Consideration was arrived at after arm’s length negotiations between the Vendor and the Purchaser on normal commercial terms principally with reference to, among others, the valuation of the Properties of approximately HK\$34 million as at 30 April 2013 conducted by an independent professional valuer, the net assets value of the Target Group as at 31 March 2013 and the amount of the Sale Debts.

Conditions precedent

Completion shall be conditional upon the following conditions precedent:

- (1) the Purchaser being reasonably satisfied with the results of the due diligence exercise (legal, accounting, financial, operational and properties) on the Target Group and its assets, properties, liabilities, activities and operations which the Purchaser, its agents or professional advisers think reasonably necessary and appropriate to conduct;

- (2) the warranties, representations and undertakings given by the Vendor to the Purchaser under the Agreement remaining true and accurate in all material respects and not misleading in any material respect;
- (3) (if applicable) all such waivers, consents or other documents as the Purchaser may require in relation to the completion of the transactions contemplated under the Agreement; and
- (4) (if applicable) all such waivers, consents or other documents as the Vendor may require in relation to the completion of the transactions contemplated under the Agreement.

The Purchaser may waive the conditions precedent referred to in paragraph (2) above by written notice to the Vendor. The conditions precedent referred to in paragraphs (1), (3) and (4) above were not capable of being waived by the Purchaser and the Vendor. If any of the above conditions precedent shall not have been fulfilled or waived (as the case may be) on or before 5:00 p.m. Hong Kong time on the Long Stop Date, the Deposit, without interest, shall be refunded by the Vendor to the Purchaser forthwith and the Agreement shall lapse immediately thereafter and be of no further effect and neither party to the Agreement shall have any claim against or liability or obligation to other party under the Agreement save for any antecedent breaches.

Completion

Subject to the fulfillment or waiver (as the case may be) of all the above conditions precedent, Completion shall take place within five business days following the date of fulfilment of all the above conditions precedent (or such other date as the Purchaser and the Vendor shall agree in writing).

Undertaking by the Vendor

As at the date of this announcement, Platinum Success has created several charges and mortgages on the Properties (“**Existing Security**”) to secure general banking facilities granted by Dah Sing Bank Limited. Pursuant to the Agreement, the Vendor has undertaken and warranted with the Purchaser that (i) the Existing Security shall be released in full on or before 30 June 2013 (or such later date as agreed by the Purchaser); (ii) the aforementioned banking facilities which has not been utilised as at the date of the Agreement shall not be utilised from the date of the Agreement and up to and including the date of the release of the Existing Security; and (iii) it will deliver all original title documents relating to the Properties (including but not limited to the document(s) evidencing the release referred to in item (i) above) to the Purchaser on or before 30 June 2013 (or such later date as agreed by the Purchaser).

INFORMATION ON THE TARGET

The Target is a company incorporated in the BVI with limited liability and the principal business of the Target is investment holding. The Target is wholly-owned by the Vendor.

The Target owns the entire issued share capital of Platinum Success, a company incorporated on 5 June 2012 in Hong Kong with limited liability. The principal business of Platinum Success is investment holding and its principal assets are the Properties, which are currently leased to and occupied as offices for medical healthcare services or medical clinic by third parties independent of the Company and connected persons of the Company at an aggregate monthly rental of HK\$99,800 (exclusive of management fee, government rates and other outgoings).

The unaudited consolidated total asset value and net asset value of the Target Group as at 31 March 2013 were approximately HK\$32.4 million and HK\$3.9 million respectively.

The unaudited consolidated financial information of the Target Group for the two years ended 30 June 2012 and 30 June 2011 are set out below:

	For the year ended 30 June 2012	For the year ended 30 June 2011
	<i>HK\$</i>	<i>HK\$</i>
	<i>('000)</i>	<i>('000)</i>
Turnover	1,589	2,869
Net loss (before taxation)	8,663	6,117
Net loss (after taxation)	8,724	6,095

Note: During the two years ended 30 June 2012, the Target held 100% interest in Core Medical Technology Limited (“**Core Medical**”) which held the Properties. In July 2012, the Properties were transferred to Platinum Success by Core Medical and the Target disposed of 100% interest in Core Medical to an independent third party thereafter. Core Medical was principally engaged in investment holding and provision of diagnostic testing and healthcare services. During the year ended 30 June 2011 and the year ended 30 June 2012, the revenue attributable to the Properties (which were rental income) amounted to approximately HK\$241,000 and HK\$876,000 respectively.

Upon Completion, the Target will become wholly-owned by the Purchaser and an indirect wholly-owned subsidiary of the Company.

INFORMATION ON THE GROUP

The Group is principally engaged in the provision of private tutoring and education services.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal assets of the Target Group are the Properties, which are located in a business district in Kowloon is accessible by excellent transportation network including access to nearby Mass Transit Railway stations as well as various bus lines. The Group intends to hold the Properties for investment and rental purposes. The Directors are of the view that the acquisition of the Properties under the Acquisition would generate stable rental revenue and return and provide capital appreciation potential to the Group.

The terms of the Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratio exceeds 5% but is less than 25%, the Acquisition contemplated under the Agreement constitutes a discloseable transaction for the Company under the Listing Rules and is therefore subject to notification and announcement requirements of Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Share and the Sale Debts
“Agreement”	the agreement dated 14 May 2013 entered into between the Purchaser and the Vendor in relation to the Acquisition
“associates”	has the meaning as ascribed thereto in the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Modern Education Group Limited, a company incorporated in the Cayman Islands, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the Agreement

“Completion Date”	means a day within five business days following the date of fulfilment of all conditions precedent under the Agreement (or such other date as the parties hereto may agree in writing) on which Completion is to take place
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration payable by the Purchaser for the Sale Share and the Sale Debts under the Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 June 2013 (or such later date as the Vendor and the Purchaser may agree in writing)
“Platinum Success”	Platinum Success Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target
“Properties”	two properties located at Flat A on 12th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon and Flat K on 9th Floor, Champion Building, Nos. 301-309 Nathan Road, Kowloon
“Purchaser”	Rosy Lane Investments Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

“Sale Debts”	an amount as equals the face value of the entire sum owing by the Target to the Vendor as at the Completion, and as at the date of the Agreement, such sum amounts to approximately HK\$28.1 million
“Sale Share”	one issued share of par value of US\$1 each in, representing 100% of the issued share capital of, the Target
“Share(s)”	shares of the Company of HK\$0.10 each
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Achieved Success Company Limited, a company incorporated in the BVI with limited liability, which as at the date of this announcement, is wholly-owned by the Vendor
“Target Group”	the Target and its subsidiary, Platinum Success
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Million Worldwide Investment Limited, a company incorporated in the BVI with limited liability and a subsidiary of Town Health International Investments Limited, a company the shares of which are listed on the Main Board of the Stock Exchange

On behalf of the Board
Modern Education Group Limited
Chow Kai Wah, Gary
Executive Director

Hong Kong, 14 May 2013

As of the date of this announcement, the executive Directors are Mr. Wong Yuk Tong, Mr. Ng Norman, Mr. Lee Wai Lok, Ignatious and Mr. Chow Kai Wah, Gary; and the independent non-executive Directors are Mr. Kwok Shun Tim, Ms. Wu Mei Chu and Ms. Chan Lai Yee.