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## **China Education Group Holdings Limited**

**中國教育集團控股有限公司**

*(incorporated in the Cayman Islands with limited liability  
and carrying on business in Hong Kong as “ChinaEdu 中教常春藤”)*

**(Stock Code: 839)**

### **DISCLOSEABLE TRANSACTION — ACQUISITION OF A SCHOOL IN AUSTRALIA**

#### **THE ACQUISITION AGREEMENT**

The Board is pleased to announce that on 23 September 2019 (after trading hours), the Purchaser (a wholly-owned subsidiary of the Company), the Vendor, the Company and the Target entered into the Acquisition Agreement in respect of the acquisition of the Target, which holds a call option pursuant to the Option Deed that could be exercised to acquire all the issued shares in King’s Own Institute.

On completion, both the Target and King’s Own Institute will become wholly-owned subsidiaries of the Company.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios pursuant to Chapter 14 of the Listing Rules in respect of the acquisition contemplated under the Acquisition Agreement is more than 5% but less than 25%, the acquisition constitutes a discloseable transaction for the Company and will be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

#### **THE ACQUISITION AGREEMENT**

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

### **Date of the Agreement**

23 September 2019

### **Parties to the Agreement**

- (a) the Vendor;
- (b) the Purchaser (a wholly-owned subsidiary of the Company);
- (c) the Company (as the guarantor of the Purchaser); and
- (d) the Target.

### **Subject**

Pursuant to the Acquisition Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the entire issued share capital of the Target at AUD128 million.

As at the date of this announcement, the Target has entered into the Option Deed with the KOI Shareholders, pursuant to which the Target can exercise a call option and the KOI Shareholders can exercise a put option in respect of the sale and purchase of the entire issued share capital of King's Own Institute. Upon exercise of the call option pursuant to the Option Deed, KOI Shareholders will enter into the KOI Agreement with the Target in respect of the sale and purchase of the entire issued share capital of King's Own Institute.

Pursuant to the Acquisition Agreement, the Target must and the Vendor must procure the Target to exercise the call option pursuant to the Option Deed to acquire the entire issued share capital of King's Own Institute and enter into the KOI Agreement on the date on which the last condition precedent to the Acquisition Agreement is satisfied or waived (or otherwise agreed between the Vendor and the Purchaser).

On completion, both the Target and King's Own Institute will become wholly-owned subsidiaries of the Company.

Each of the KOI Shareholders is trustee incorporated in Australia acting for trust established in Australia. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the trustees, settlors and fixed beneficiaries of the said trusts is a third party independent of the Company and its connected persons.

### **Consideration and Payment Terms**

The Consideration under the Acquisition Agreement is AUD128 million, which includes the Escrow Amount of AUD14 million and the AUD4.5 million to be paid to a related body corporate of the Key Executive as disclosed in the paragraph headed "Retention and Incentive Plan with KOI Key Executive" below. No additional consideration is payable in connection with the exercise of the call option by the Target pursuant to the Option Deed.

The Consideration was determined after arm's length negotiations and with reference to, among other things, the historical turnover and the total asset value of King's Own Institute, its location and reputation, the courses King's Own Institute offers, the employment opportunities and the prospects of the graduates, the number of students and enrollments of the school and the observation by the Company regarding the recent market value of schools of similar size.

After deducting the Escrow Amount and the AUD4.5 million to be paid to a related body corporate of the Key Executive as disclosed in the paragraph headed "Retention and Incentive Plan with KOI Key Executive" below, the balance of the Consideration will be paid in cash by the Purchaser at completion of the Acquisition Agreement.

The Escrow Amount will be paid by the Purchaser to a stakeholder appointed by the Vendor and the Purchaser at completion of the Acquisition Agreement. The Escrow Amount will be released in the following manner:

- (a) 50% of the Escrow Amount will be held pending fulfilment of conditions in relation to the audited financials for the twelve months ended 30 June 2019; and
- (b) 50% of the Escrow Amount will be held pending the expiry of the six months following completion of the Acquisition Agreement. If there is claim(s) brought by the Purchaser during the said six-month period, the claim amount as agreed between the Vendor and the Purchaser or determined by the court will be deducted from the Escrow Amount and transferred to the Purchaser. If there is no unresolved claim upon expiry of the said six-month period, such 50% of the Escrow Amount will be released to the Vendor.

The Consideration will be subject to customary closing adjustment taking into account the net profits after tax up to completion and the cash balance of King's Own Institute as at completion date.

### **Conditions Precedent**

Completion of the Acquisition Agreement is conditional upon the fulfilment of (amongst others) the following conditions precedent:

- (a) King's Own Institute having received consent to the change of control under any real estate property lease to which King's Own Institute is a party in respect of the transaction contemplated under the Acquisition Agreement, the Option Deed and the KOI Agreement; and
- (b) the notification process with the regulatory authority with respect to the change of ownership as contemplated by the Acquisition Agreement.

### **Completion**

Completion of the Acquisition Agreement will take place on the second business day after the date of satisfaction or waiver of the last condition precedent of the Acquisition Agreement, which will be the same day that the KOI Agreement completes unless otherwise agreed in writing by the Vendor and the Purchaser.

Pursuant to the Acquisition Agreement, the Purchaser is not required to proceed with the completion of the Acquisition Agreement unless the Purchaser is satisfied that all things necessary to complete the KOI Agreement having occurred or will occur.

### **Retention and Incentive Plan with KOI Key Executive**

The Target or any member of the Group will enter into a retention agreement with the Key Executive, pursuant to which, amongst others, the Target will pay an amount up to AUD10.5 million to a related body corporate of the Key Executive (which is one of the KOI Shareholders) as incentive and retention measures subject to the satisfaction of certain conditions such as King's Own Institute maintaining certain registration and accreditations with the Australian regulatory authorities and the financial performance and business operations of King's Own Institute. AUD4.5 million out of the said AUD10.5 million forms part of the Consideration under the Acquisition Agreement.

If completion of the Acquisition Agreement or the KOI Agreement does not take place, the Target or the member of the Group will not be bound or obliged to make any of the above incentive and retention payments.

The total consideration of the Acquisition Agreement and the retention agreement is up to AUD134 million, which includes the amount up to AUD10.5 million to be paid to a related body corporate of the Key Executive.

## **INFORMATION ON THE VENDOR, THE PURCHASER, THE TARGET AND KING'S OWN INSTITUTE**

### **The Vendor**

The Vendor is a trustee incorporated in Victoria, Australia acting for a trust established under the laws of the South Australia and its principal business activity is investment holding. To the best knowledge, information and belief of the Directors and having made all reasonable enquiries, each of the trustees, settlors and fixed beneficiaries of the trust is a third party independent of the Company and its connected persons.

### **The Purchaser**

The Purchaser is a limited liability company established under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company and its principal business activity is investment holding.

### **The Target**

The Target is a company incorporated in Victoria, Australia. As at the date of the Acquisition Agreement, its entire issued share capital is wholly owned by the Vendor and it has not commenced any business apart from entering into the Option Deed.

## KING'S OWN INSTITUTE

King's Own Institute is a company incorporated in the New South Wales, Australia and a tertiary level higher education institution located in central Sydney, New South Wales, Australia. King's Own Institute offers accredited degree courses in Accounting, Business, IT and TESOL (Teaching English to Speakers of Other Languages) to both Australian domestic and international students.

For the years ended 30 June 2018 and 30 June 2019, the earnings of King's Own Institute are as follows:

	<b>For the year ended 30 June</b>	
	<b>2018</b>	<b>2019</b>
	<i>(AUD)</i>	<i>(AUD)</i>
Normalised EBITDA <sup>(1)</sup>	11,754,000 (approximately HK\$62,414,000)	14,184,000 (approximately HK\$75,317,000)
Net profit (before tax) <sup>(2)</sup>	10,252,000 (approximately HK\$54,438,000)	12,201,000 (approximately HK\$64,787,000)
Net profit (after tax) <sup>(2)</sup>	7,183,000 (approximately HK\$38,142,000)	8,845,000 (approximately HK\$46,967,000)

### *Notes:*

1. Normalised EBITDA (earnings before interest, tax, depreciation and amortisation) represents EBITDA excludes extraordinary gain/loss.
2. The figures for the year ended 30 June 2018 are audited while the figures for the year ended 30 June 2019 are unaudited.

As at 30 June 2019, the unaudited total asset value and the unaudited net asset value of King's Own Institute were approximately AUD23,458,000 (equivalent to approximately HK\$124,562,000) and AUD11,615,000 (equivalent to approximately HK\$61,676,000) respectively.

## REASONS FOR AND BENEFITS OF THE TRANSACTION

As disclosed in the 2018/2019 interim report of the Company, the Group has formulated the merger and acquisition strategy to achieve growth target taking into account the high entry barrier of the higher education sector. The acquisition under the Acquisition Agreement marks the Group's acquisition of a school in Australia, one of the most popular and fastest-growing international student markets in the world. Having considered the strategic location, reputation, stage of development, number of enrolled students and tuition fees received by King's Own Institute, the Directors consider the acquisition provides the Group with attractive growth potential in the thriving international higher education market for more diversified and higher revenue.

Having considered the aforesaid, the Directors consider that the transactions contemplated under the Acquisition Agreement are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

None of the Directors has a material interest in the transactions contemplated under the Acquisition Agreement or is required to abstain from voting on the Board resolution for considering and approving the same.

## **INFORMATION OF THE GROUP**

The Company is an investment holding company. The Group is a leading listed education management enterprise, focusing on providing quality education through innovation. Currently, the Group is operating nine schools in China. The Group is widely recognized for its proven ability to operate schools. Jiangxi University of Technology was ranked No. 1 in overall competitiveness in the Private University and College Ranking in China for nine consecutive years; Guangdong Baiyun University was ranked No. 1 in overall competitiveness in the Private University and College Ranking in Guangdong province for 12 consecutive years, while Baiyun Technician College was ranked No. 1 in educational competitiveness among technical schools in Guangdong province for seven consecutive years. In September 2019, the Group enrolled approximately 178,000 students.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios pursuant to Chapter 14 of the Listing Rules in respect of the acquisition contemplated under the Acquisition Agreement is more than 5% but less than 25%, the acquisition constitutes a discloseable transaction for the Company and will be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**Completion is subject to the fulfilment (or where applicable, waiver) of a number of conditions. As the acquisition 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.**

## **DEFINITIONS**

Unless otherwise specified in this announcement, capitalised terms used herein shall have the following meanings:

“Acquisition Agreement”	the share sale agreement entered into between the Vendor, the Purchaser, the Company and the Target dated 23 September 2019 in respect of the acquisition of the entire issued share capital of the Target
“AUD”	Australia Dollar, the lawful currency of Australia
“Board”	the board of directors of the Company

“China” or “PRC”	the People’s Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
“Company”	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	AUD128 million
“consolidated affiliated entities”	the entities we control through the Contractual Arrangements, each a “consolidated affiliated entity”
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, the Company, an indirect wholly-owned subsidiary of the Company and the consolidated affiliated entities of the Company, the details of which are disclosed in the section headed “Contractual Arrangements” in the prospectus of the Company dated 5 December 2017
“Director(s)”	the director(s) of the Company
“Escrow Amount”	AUD14 million of the Consideration
“Group”, “we”, “us” or “our”	the Company, its subsidiaries and its consolidated affiliated entities
“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
“Key Executive”	an individual which is a third party independent of the Company and its connected person
“King’s Own Institute” or “KOI”	Australian Institute of Business and Management Pty Ltd (trading as King’s Own Institute), a company incorporated in New South Wales, Australia
“KOI Agreement”	the share sale agreement to be entered into between King’s Own Institute, the KOI Shareholders, certain key persons and the Target in respect of the acquisition of the entire issued share capital of King’s Own Institute
“KOI Shareholders”	the vendors to the KOI Agreement



“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Option Deed”	the option deed dated 23 September 2019 entered into between the Target and the KOI Shareholders in respect of the call option and put option over the entire issued share capital of King’s Own Institute
“Purchaser”	Australian Education Group Limited, a company incorporated in the British Virgin Islands, a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target”	Aspen Higher Education Pty Ltd, a company incorporated in Victoria, Australia
“Vendor”	Viss Holdings Pty Ltd (as trustee for the Styler Investments Trust)
“%”	per cent

*For illustrative purpose of this announcement only, conversion of AUD into HK\$ is made at the following exchange rate: AUD1.00 = HK\$5.31.*

By order of the Board  
**China Education Group Holdings Limited**  
**Yu Guo            Xie Ketao**  
*Co-Chairmen*

Hong Kong, 23 September 2019

*As at the date of this announcement, the executive directors of the Company are Mr. Yu Guo, Mr. Xie Ketao, Dr. Yu Kai and Ms. Xie Shaohua, and the independent non-executive directors of the Company are Dr. Gerard A. Postiglione, Dr. Rui Meng and Dr. Wu Kin Bing.*