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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 GROUP

THE ACQUISITION

The Board is pleased to announce that, on 7 May 2021 (after trading hours), the Purchaser (a company accounted as a subsidiary of the Company by virtue of the Contractual Arrangements), the Vendors, the Target Company, the Target School and KG International School, entered into the Acquisition Agreement, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest of the Target Company, at a consideration of RMB80 million.

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 7 May 2021 (after trading hours), the Purchaser (a company accounted as a subsidiary of the Company by virtue of the Contractual Arrangements), the Vendors, the Target Company, the Target School and KG International School, entered into the Acquisition Agreement, pursuant to which the Vendors have agreed to sell, and the Purchaser has agreed to acquire, the entire equity interest of the Target Company, at a consideration of RMB80 million.

THE ACQUISITION AGREEMENT

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

Date: 7 May 2021

Parties: (1) the Purchaser;
(2) the Vendors;
(3) the Target Company;
(4) the Target School; and
(5) KG International 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 Vendors, the Target Company, the Target School and the KG International School are third parties independent from the Company and its connected persons (as defined under the Listing Rules).

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

Pursuant to the Acquisition Agreement, the Vendors 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 RMB80 million. Such consideration shall be settled in accordance with the following schedule:

- (1) RMB42,088,270 shall be settled within five business days upon the completion of the Acquisition; and
- (2) the remaining consideration of the Acquisition shall be settled within 15 business days after KG International School moves out from the Leased Campus (defined as below).

Basis of Consideration

The consideration of the Acquisition was determined after arm's length negotiations between the Vendors and the Purchaser with reference to: (i) the historical turnover and assets, the location and branding, the programs offered, the prospect of the graduates, the number of students and enrollments of the Target School; and (ii) a valuation report (the "**Valuation Report**") prepared by an independent professional valuer (the "**Independent Valuer**") on the Target Group; 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 Group 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 Group is approximately RMB84 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 Group.

Source of funding

The consideration of the Acquisition will be funded by the Group's internal financial resources 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 Purchaser being satisfied with the results of the due diligence review of the Target School;
- (2) the Target School has signed a leasing agreement with KG International School in respect of a campus area owned by the KG International School (the "**Leased Campus**");
- (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 Vendors' 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 VENDORS

The Vendors, namely Liu Yamin (劉亞敏) and Liu Yazhou (劉亞洲), are two nature persons with Chinese nationality. As of the date of this announcement, the Vendors hold the entire equity interest of the Target Company and therefore indirectly control 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, the Vendors are third parties independent from the Company and its connected persons (as defined in the Listing Rules).

INFORMATION ABOUT THE TARGET GROUP

(a) The Target Company

The Target Company is a limited liability company established under the laws of PRC and wholly-owned by the Vendors. The Target Company is a holding company that owns the entire school sponsor's interest of the Target School and has no substantive business operation as of the date of this announcement.

(b) The Target School

The Target School is a private high school locates in Henan Province established on 7 August 2015. The Target School has approximately 1,500 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 year ended 31 December 2020 and as of 31 December 2020 prepared in accordance with the Generally Accepted Accounting principles of the PRC:

	Year ended 31 December 2020 (RMB'000)
Revenue	42,422
Profit before income tax	12,710
	As of 31 December 2020 (RMB'000)
Total assets	12,977

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 is a private high school in Henan Province and has approximately 1,500 students as of the date of this announcement. 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 the Target School and our other Schools.

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 Group 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, China, with years of experience in the private higher education industry. As of the date of this announcement, the Group operates one private university, one full-time vocational college and one secondary vocational college, namely the Jiangxi University of Applied Science (江西應用科技學院) (the “**JUAS**”), Guizhou Institute of Industry and Trade (貴州工貿職業學院) (“**Guizhou Institute**”) and Jiangxi Wenli Jishi College (江西文理技師學院) (“**Jishi College**”, together with JUAS and Guizhou Institute, collectively referred to as the “**Schools**”), and offer undergraduate, junior college and vocational programs, as well as diverse education related services. As of the date of this announcement, the Schools has a total number of student enrollment over 29,000. The Group also provides a variety of education related services including internship management services as well as tutoring and program 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 7 May 2021 between the Purchaser and the Vendors 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;
“JUAS”	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;
“Jishi College”	Jiangxi Wenli Jishi College (江西文理技師學院), a full-time vocational college established in November 2019, which offers vocational programs;
“KG International School”	Zhengzhou Airport Economic Zone Yu Ren International School (鄭州航空港育人國際學校), a private primary and secondary school locates in Henan Province, PRC;
“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;
“Shareholder(s)”	holder(s) of the share(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Company”	Henan Kun Ren Education Science Technology Co., Ltd (河南坤仁教育科技有限公司), a company established under the laws of the PRC with limited liability and owns the entire school sponsor’s interest of the Target School as of the date of this announcement;
“Target Group”	including the Target Company and the Target School;

“Target School”	Zhengzhou Airport Economy Zone Yu Ren High School (鄭州航空港區育人高級中學), a private high school locates in Henan Province, PRC;
“Vendors”	namely Liu Yamin (劉亞敏) and Liu Yazhou (劉亞洲), two nature persons with Chinese nationality;
“%”	Per cent.

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

Hong Kong, 7 May 2021

As of the date of this announcement, the executive Directors are Mr. Huang Yulin, Mr. Li Cunyi, 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.