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China New Higher Education Group Limited

中國新高教集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2001)

DISCLOSEABLE TRANSACTION

ACQUISITION OF A NEW SCHOOL

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The Board is pleased to announce that on 27 December 2017, Beijing Daai Consulting, a wholly owned subsidiary of Yun Ai Group, agreed to acquire an aggregate of 56% equity interest in the Target School Sponsor at a consideration of RMB183,275,680. Beijing Daai Consulting also agreed to grant the loan of RMB40,724,320 to the Target to settle its shareholder's loan.

The Target School is a Xinjiang-based independent college providing undergraduate education. Its current student enrollment only covers two academic years and it is permitted to grant bachelor's degrees. The Target currently has sufficient parcels of land for education and residential purpose to serve its future development. Xinjiang currently has relatively lower students enrollment rate than other provinces in the PRC. The Directors consider that the Target School has good potential to increase the number of students.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition under the Equity Transfer Agreements are more than 5% but all applicable percentage ratios are less than 25%, the Acquisition under the Equity Transfer Agreements constitutes a discloseable transaction and will be subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

As the Acquisition is subject to regulatory approvals from the relevant authorities in the PRC, which may or may not be obtained, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

ACQUISITION OF A NEW SCHOOL

Set forth below are the principle terms of the Equity Transfer Agreements.

Date: 27 December 2017

Parties: (i) Beijing Daai Consulting, as the transferee; and

(ii) Mr. Di who holds 7% equity interest in the Target School Sponsor, Mr. Jia who holds 9% equity interest in the Target School Sponsor and Mr. Yuan who holds 40% equity interest in the Target School Sponsor, as at the date of this announcement

(together, as the transferors)

Subject: Pursuant to the Equity Transfer Agreements, Beijing Daai Consulting agreed to acquire an aggregate of 56% equity interest in the Target School Sponsor from the transferors at a consideration of RMB183,275,680. Beijing Daai Consulting also agreed to grant the loan of RMB40,724,320 to the Target to settle its shareholder's loan.

Basis of the consideration: The consideration was reached based on arm's length negotiation with reference to the total assets value of the Target School as at 30 June 2017, the location, type of school, number of students, brand name of the Target School, the Group's observation of the recent market value of the acquisition of schools of similar scale, and the value which the Group will create by operating the Target School under its management.

Payment terms: Pursuant to the Equity Transfer Agreements, subject to the business and financial related information of the Target disclosed to the Group remaining true and accurate in all material aspects, Beijing Daai Consulting shall:

- (1) settle RMB56,000,000 ("First Instalment") within seven business days after the signing date of the Equity Transfer Agreements to a bank account jointly controlled by both of the transferors and the transferee. Within three business days thereafter, the Target shall apply with the local administration of industry and commerce for the necessary filings and Beijing Daai Consulting shall have the right to designate staff to the Target to prepare for the hand-overs,
- (2) fully release the First Instalment to the transferors and settle the remaining RMB127,275,680 after 56% equity interest of the Target School Sponsor having been registered under Beijing Daai Consulting or its designated entities, and
- (3) grant the loan of RMB40,724,320 to the Target to settle its shareholder's loan upon closing of the Acquisition.

Management: Upon closing of the Acquisition, three out of seven seats of the board and the principal of the Target School shall be designated by the Group, and the remaining seats shall be designated by the Xinjiang Joint School Sponsor and Mr. Zheng. Two out of five seats of the board of the Target School Sponsor shall be designated by the Group and the remaining shall be designated by Mr. Zheng.

Source of funding: The investment to be contributed by Beijing Daai Consulting under the Equity Transfer Agreements will be funded by the Group's proceeds from the global offering in April 2017, internal financial resources, and loan(s) with third party banks.

INFORMATION OF TARGET

The Target School Sponsor was established under the laws of the PRC in September 2014 and is principally engaged in investment holding. As at the date of this announcement, the Target School Sponsor is held by as to 7% by Mr. Di, as to 9% by Mr. Jia, as to 40% by Mr. Yuan and as to 44% by Mr. Zheng.

The Target School was established under the laws of the PRC in 2003 and is principally engaged in private higher education in Xinjiang providing undergraduate education. The Target School is permitted to grant bachelor's degrees. As at the date of this announcement, the initial registered capital of the Target School is RMB4,060,000, wholly contributed by the Target School Sponsor. The sponsorship of the Target School is jointly held by the Target School Sponsor and the Xinjiang Joint School Sponsor. The Xinjiang Joint School Sponsor shall provide the name right and certain education related resources to the Target School and is only entitled to a fixed fee in the amount of 19% of the tuition fees generated from the Target School. Save as disclosed, all rights and obligations of the Target School shall vest in the Target School Sponsor. Such arrangement will remain unchanged upon completion of the Acquisition.

The Target currently owns a parcel of land of 1,600 mu for education purpose and a parcel of land of 400 mu for residential purpose, which are planned to be used for the construction of school buildings and accommodation for teachers, the management and other talents introduced, to serve its future development.

For the year ended 31 December 2015 and 31 December 2016, the net profit/loss attributable to the Target were as follows:

For the year ended 31 December 2015:

Unaudited net loss (before tax):	RMB2,160,000
Unaudited net loss (after tax):	RMB2,160,000

For the year ended 31 December 2016:

Unaudited net profit (before tax):	RMB5,767,000
Unaudited net profit (after tax):	RMB5,767,000

Number of students for the academic year of 2016/2017:	1,702
Number of students for the academic year of 2017/2018:	3,746

* An academic year is generally from September 1 of each calendar year to August 31 of the following calendar year.

As of 30 June 2017, the total assets value and the net assets value of the Target was approximately RMB303,782,000 (unaudited) and RMB59,145,000 (unaudited), respectively.

STRUCTURE OF THE TARGET UPON CLOSING OF ACQUISITION

Upon closing of the Acquisition, the Target School Sponsor will become held as to 56% by Beijing Daai Consulting and as to 44% by Mr. Zheng and Beijing Daai Consulting and the Target will enter into the structured contracts with Huihuang Company, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, after which each of the Target School Sponsor and the Target School will be treated as a consolidated affiliated entity of the Company and the Target's results of operations will be consolidated into the Group's results of operations. The Company will publish further announcement(s) upon completion as and when appropriate.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors believe that the Acquisition marks the Group's continuous efforts to expand its school network and increase the market penetration.

The Target School is engaged in private higher education providing undergraduate education and it is permitted to grant bachelor's degrees and is allowed to enroll students for four academic years, while the Target School only commenced to enroll students for the academic year of 2016/2017 and 2017/2018. The Target School is based in Xinjiang, which currently has relatively lower students enrollment rate than other provinces in the PRC, which in turn enable the Group to potentially capture a larger market share. The Directors consider that the Target School has good potential to increase the number of students.

The Directors (including the independent non-executive Directors) consider that the Acquisition as contemplated under the Equity Transfer Agreements has been entered into on normal commercial terms, and the terms of the transactions thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transaction contemplated under the Equity Transfer Agreements or is required to abstain from voting on the Board resolution for considering and approving the same.

INFORMATION OF THE TRANSFERORS

As at the date of this announcement, the Target School Sponsor is held as to 7% by Mr. Di, 9% by Mr. Jia and 40% by Mr. Yuan. All of them will cease their role in the Target, if any and hand over their role to the staff designated by the Group, after the closing of the Acquisition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the transferors is a third party independent of the Company and its connected persons.

INFORMATION OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in private formal higher education. Beijing Daai Consulting is an investment holding company and it is a wholly owned subsidiary of Yun Ai Group, a consolidated affiliated entity of the Company.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition under the Equity Transfer Agreements are more than 5% but all of the applicable percentage ratios are less than 25%, the Acquisition under the Equity Transfer Agreements constitutes a discloseable transaction and will be subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

As the Acquisition is subject to regulatory approvals from the relevant authorities in the PRC, which may or may not be obtained, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Acquisition”	the acquisition of 56% equity interest of the Target School Sponsor as contemplated under the Equity Transfer Agreements
“Beijing Daai Consulting”	Beijing Daai Consulting Education Consulting Co., Ltd.* (北京大愛教育諮詢有限公司), a limited liability company established in the PRC on 26 July 2017. It is wholly owned by Yun Ai Group
“Board” or “Board of Directors”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	China New Higher Education Group Limited (中國新高教集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 July 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Equity Transfer Agreements”	together, the equity transfer agreements dated 27 December 2017 entered into by and between Beijing Daai Consulting and Mr. Jia, Mr. Di and Mr. Yuan, respectively, in respect of the Acquisition
“Group”	the Company, its subsidiaries and the consolidated affiliated entities from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC

“Huihuang Company”	Tibet Daai Huihuang Information and Technology Co., Ltd.* (西藏大愛輝煌信息科技有限公司), a limited liability company established on 5 August 2016 under the laws of the PRC and a wholly owned subsidiary of the Group
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Mr. Di”	Mr. Di Jilin (邸吉林), who holds 7% equity interest in the Target School Sponsor as at the date of this announcement and one of the transferors of the Acquisition. Mr. Di is an independent third party
“Mr. Jia”	Mr. Jia Yi (賈毅), who holds 9% equity interest in the Target School Sponsor as at the date of this announcement and one of the transferors of the Acquisition. Mr. Jia is an independent third party
“Mr. Yuan”	Mr. Yuan Zhijie (袁智杰), who holds 40% equity interest in the Target School Sponsor as at the date of this announcement and one of the transferors of the Acquisition. Mr. Yuan is an independent third party
“Mr. Zheng”	Mr. Zheng Wei (鄭偉), who holds 44% equity interest in the Target School Sponsor as at the date of this announcement. Mr. Zheng is an independent third party as at the date of this announcement and will become a substantial shareholder at subsidiary level upon completion of the Acquisition
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	has the meaning as defined in the prospectus of the Company dated 5 April 2017
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target”	together, the Target School and the Target School Sponsor
“Target School”	Xinjiang Institute of Finance & Economics* (新疆財經大學商務學院), a private institution of formal higher education established under the laws of the PRC in 2003
“Target School Sponsor”	Xinjiang Siyuan Education Investment Co., Ltd.* (新疆思源教育投資有限公司), a limited liability company established on 5 September 2014 under the laws of the PRC
“Xinjiang Joint School Sponsor”	Xinjiang University of Finance and Economics* (新疆財經大學)

“Yun Ai Group”

Yunnan Einsun Education Investment Group Co., Ltd.* (雲南愛因森教育投資集團有限公司), a limited liability company established under the laws of the PRC on 19 September 2005, which is owned as to 29.8806% by Mr. Li, 20.0568% by Pai Dui Pai, 5.7305% by Ba Mu Pu, 22.8102% by Daai Partnership, 1.2956% by Huihuang Investment, 1.32% by Chengxin Investment, 15.5265% by Shanghai Taifu and 3.3822% by Zhongyi Company. It is the school sponsor of the Yunnan School and the Guizhou School

By order of the board of
China New Higher Education Group Limited
Li Xiaoxuan
Chairman

Hong Kong, 27 December 2017

As at the date of this announcement, the executive Directors are Mr. Li Xiaoxuan, Mr. Zhao Shuai, Mr. Zhang Ke and Mr. Zhu Lidong, the non-executive Director is Mr. Chen Shuo, and the independent non-executive Directors are Mr. Wong Man Chung Francis, Mr. Kwong Wai Sun Wilson and Mr. Hu Jianbo.

* *For identification purposes only*